

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

WASHINGTON HARBOUR, SUITE 400

3050 K STREET, NW

WASHINGTON, D.C. 20007-5108

(202) 342-8400

NEW YORK, NY

CHICAGO, IL

STAMFORD, CT

PARSIPPANY, NJ

BRUSSELS, BELGIUM

AFFILIATE OFFICES

MUMBAI, INDIA

FACSIMILE

(202) 342-8451

www.kelleydrye.com

DIRECT LINE (202) 342-8614

EMAIL dsmith@kelleydrye.com

July 1, 2009

**BY HAND DELIVERY**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street N.W.  
Washington, D.C.

FILED/ACCEPTED

JUL 01 2009

Federal Communications Commission  
Office of the Secretary

Re: *Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996,*  
CC Docket No. 96-128

Dear Ms. Dortch:

On behalf of NuVox, and pursuant to Federal Communications Commission ("Commission") rule 64.1320(b) and (f), 47 C.F.R. §§ 64.1320(b) and (f), attached please find an original and four copies of NuVox's Auditor's Report prepared by its independent auditor.

Pursuant to 47 C.F.R. § 64.1320(e) NuVox submits the following statement identifying the person responsible for handling NuVox's payphone compensation and resolving payphone compensation-related disputes with payphone service providers:

Amy Gardner  
Vice President Revenue Assurance & Cost Optimization  
NuVox  
2 North Main Street  
Greenville, S.C. 29601  
(864) 672-5082

Also, in accordance with 47 C.F.R. § 64.1320(e), NuVox has posted its Auditor's Report and the above Section 64.1320(e) statement on its website at [www.NuVox.com](http://www.NuVox.com).

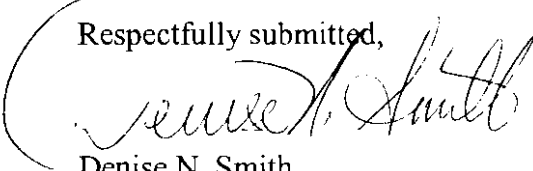
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KELLEY DRYE & WARREN LLP

Ms. Marlene H. Dortch  
July 1, 2009  
Page Two

Enclosed is a duplicate of this filing. Please date-stamp the duplicate and return it to the courier. Please contact the undersigned at (202) 342-8400 if you have any questions regarding this filing.

Respectfully submitted,  
  
Denise N. Smith  
*Counsel to NuVox*

Enclosure



Telecommunications Audit Department  
Carrier Compliance

Missy Sue Mastel, CPA

FILED/ACCEPTED

JUL 01 2009

Federal Communications Commission  
Office of the Secretary

260 Townsend Street, 6<sup>th</sup> Flr  
San Francisco, CA 94107  
Tel. (415) 820-9070  
Fax (415) 820-9075  
missysue@masstel.com

FINAL

## Auditors Report: FCC Order 96-128

We have examined the accompanying description of the controls at NuVox Communications (NuVox) applicable to recordkeeping, reporting, and payment provided to payphone service providers serviced through the switch. Our examination included procedures to obtain reasonable assurance about whether (1) the accompanying description presents fairly, in all material respects, the aspects of NuVox's controls as it related to PSP compensation, (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description, if those controls were complied with satisfactorily, and (3) such controls have been in place since December 31, 2008. Our examination was performed in accordance with standards established by the American Institute of Certified Public Accountants and included those procedures we considered necessary in the circumstances to obtain a reasonable basis for rendering our opinion.

In our opinion, the accompanying description of the aforementioned controls of NuVox, presents fairly, in all material respects, the relevant aspects of NuVox's controls that have been placed in operation from the period between October 1, 2008 and December 31, 2008. Also, in our opinion, the controls, as described, are suitably designed to provide reasonable assurance that dial around compensation objectives, as documented in FCC Order 96-128 would be achieved if the described controls were complied with satisfactorily and third parties applied those aspects of internal control contemplated in the design of NuVox's controls.

In addition to the procedures we considered necessary to render our opinion as expressed in the prior paragraph, we applied tests to specific controls, as listed in Section 2 to obtain evidence about their effectiveness in meeting the related control objectives during the period from October 1, 2008 and December 31, 2008. The specified control objectives, controls, and the nature, timing, and results of the test are listed in Section 3. This information has been provided to all interested parties. In our opinion, the controls that we tested are operating with sufficient effectiveness to provide material and reasonable

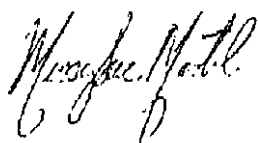
assurance that the control objectives were achieved during the period between October 1, 2008 and December 31, 2008.

The relative effectiveness and significance of specific controls at NuVox and their effect on assessments of control risk for PSPs are dependent on their interaction with internal control, and other factors present at PSPs and PSP aggregators, as well as the internal controls of third parties involved in NuVox's processing of PSP dial around compensation. We have performed no procedures to evaluate the effectiveness of internal control at any third party associated with this process.

The description of controls at NuVox is as of June 12, 2009 and information about tests of the operating effectiveness covers the period from October 1, 2008 and December 31, 2008. As a result of changes in the processes relating to DAC and ownership changes beginning in the first quarter 2009, any projection of such information into the future is subject to the risk that, because of change, the description may no longer portray the system in existence. The potential effectiveness of specific controls at NuVox is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that (1) changes made to the system or controls, (2) changes in the processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for use by management of NuVox Communications, PSPs and other vendors of interest, the FCC in verification of fulfillment of Order 96-128, and the independent auditors associated with such organizations.

Sincerely,

A handwritten signature in black ink, appearing to read "Missy Sue Mastel". The signature is fluid and cursive, with a large initial "M" and "S".

Missy Sue Mastel, CPA  
Mass-Tel Communications  
Lic #67248

## **Section 1: Overview of Operations and Internal Control Features**

### ***Overview of Operations***

NuVox Communications acquired Florida Digital Network in August, 2007, and began operations conjunctively in January, 2008. At that time and during the period under review, dial-around compensation was processed by both Billing Concepts and National Payphone Clearinghouse, Inc (NPC), providing outsourced solutions to the record-keeping, validation and payment of Dial-Around Compensation requirements. Additionally, beginning in 2008, NuVox has outsourced much of its mediation of CDRs to Ventraq, formerly 10e, an outsourced CDR creation and validation software protocol. To that end, much of the process described in the current processing and handling of Dial-Around Compensation ("DAC") is internal to third parties and has been audited by independent auditors. While we may reference aspects from their report in describing the overall process, we have not audited these systems and processes, and are relying on the information provided and audited by these firms and their independent auditors. We have reviewed the reports on internal controls, as available, and note that the inclusion of third parties in these processes adds an additional level of internal control into the process.

### **General Operations**

NuVox Communications, a business solutions provider, provides local, long distance, high-speed internet and other data services for its customers in the Midwest and Southeast States. In 2007, they purchased FDN, competitive local exchange carrier in the state of Florida, providing local and long distance services and internet access to subscribers in the state. While there are more than 70 switches for processing local and long distance calling in the NuVox network, all toll calls are all dumped real-time into the Sonus system for mediation and conversion into Call Detail Records, or CDRs. FDN continues to transition into the NuVox network, integrating their Nortel DMS250 and their DMS 100 switches into various Orlando based NuVox facilities. These switches process their customer's toll free and 1+ dialing. In general, FDN dial-around compensable records are kept separate in the Sonus system of mediation through our testing period via trunk segregation, however plans in the coming year are to process all DAC through the Sonus and Billing Concepts - process.

### **General Reconciliation Process**

NuVox contracts Billing Concepts and National Payphone Clearinghouse to manage separate groups of PSP vendors, receive invoices relating to the BTNs under management by the various payphone providers and their associations, and submit invoices, or claim reports, to NuVox for payment. The PSP submits their ANIs and invoices, if available, to the clearinghouses. Thus, NuVox and its subsidiaries relies on the ANI records or databases of the third party and only provides call record detail for reconciling to the ANI Master Lists maintained by Billing Concepts and NPC.

The following narratives describe the payphone processes of NuVox as of June 12, 2009. This documentation represents an end-to-end description of the payphone compensation processes for the following call scenarios identified through Mass-Tel's observations and inquiry with responsible parties at NuVox.

1. 8XX Toll Free calls
2. Post Paid Travel Card calls
3. Operator assisted Calls

#### **1. 8XX Toll Free calls**

8XX Toll Free calls follow the process section. The outlined in this call is routed to either a Local Exchange Carrier (LEC) switch or via Feature Group D (FG-D) to the NuVox and FDN Communications' switches ("switch").

As NuVox services exclusively business and industrial customers, calls that hit the switch are generally from subscribers to the network. However, several customers use 800 services into their networks that may be dialed from payphones, such as client customer service lines and these calls are tracked for dial-around compensation. FDN services a business and residential market in central Florida, as such; their 800 services include personal and distributed calling card products.

If the call is routed to a LEC switch, the LEC switch looks up the terminating ANI (i.e. FDN or NuVox 8XX terminating ANI) in the toll free database for routing instructions. The LEC switch determines that the terminating ANI belongs to NuVox and routes the call to a NuVox completing switch. If the call is placed in a FDN Communications serving area, the call is routed through the DMS100 to the Greenville DMS 250 switch for rating and authorization, if applicable.

For NuVox:

Calls are processed by more than 70 switches, and uploaded real-time via control hosts and switch apparatus mail control host at the Sonus. Switch connections are all private line trunks.

When data files at the Sonus reach 10M of data or 15 minutes, the Sonus records are batched and mediated by Ventraq. Each CDR is examined for completion and infodigit and compared to the current ANI Master List obtained from Billing Concepts. If a match on all criteria, a duplicate record is created and stored in a payphone folder on the Sonus.

Payphone logic is run against the CDRs in SQL as follows;

- (1) 800 number dialed
- (2) Payphone information digits recognized,
- (3) ANI match to Master PSP list
- (4) Payphone calling number is not null.

When criteria are met, a payphone indicator is entered onto the CDR. We note that the procedures in place at the time of our testing included an "either/or" match to infodigit

and ANI. As this is likely to produce overpayments to unvalidated ANIs, we recommended changing the logic to AND, which was completed in June, 2009.

All toll-free calls marked with Payphone\_IND "Y" are copied into a separate folder and compared to the ANI OLIP file. These records are then returned to the payphone folder as validated payphone records in real time.

Error reports are run on each batch to validate that the appropriate number of records are processed between applications. Records in this folder are not deleted from the Sonus, and are backed-up daily.

Call type, origination, and termination are trended against the established benchmarks for fraud testing. These tests occur prior to the creation of the payphone file.

Quarterly, the Sonus payphone file is brought up by Billing Operations Specialist, John Frame, filtered by date, and sent to Billing Concepts, who confirms receipt and runs the file against the ANI master list, creating required payable reports.

For FDN:

A UNIX script instructs the switch to send the day's CDRs to a raw CDR storage server via a private circuit on a daily basis. The DMS250 will FTP to the record server to deposit the files.

Travis Baldwin, Billing Operations Analyst initiates the CDR transfer on a daily basis, monitoring the daily import of the files to check for errors. The FDN process also uses Equinox systems fraud monitoring software package in their fraud monitoring. Equinox Protector polls CDR at the DMS250 switch at various intervals throughout the day.

The RAW CDRs are stored in the SQL databases attached to the CDR storage server. The CDRs have an indefinite storage period.

The Travis Baldwin downloads the CDRs to his desktop and runs an Equinox program to consolidate the RAW CDR and converts the binary CDR to ASCII format.

The payphone compensation analyst loads the ASCII CDR into a separate SQL database for storage.

On a monthly basis, the payphone compensation analyst executes a Perl script which executes a SQL statement against the SQL database to extract compensable CDRs to a payphone compensation file. The compensable CDRs are extracted based upon a pre-defined set of business rules within the SQL query.

The business rules applied are the following:

- a. Info-digits = "07" "27" or "29" or "70" (payphone specific info-digits), and
- b. Billing Number <> null
- c. Answer Type = "hardware"

The records are written to a file according to the format table required by NPC. The file is then compressed and put into an internet access server by the 5<sup>th</sup> of every month.

Quarterly, the billing operations staff FTP's the compensable file to NPC. NPC performs the DAC reconciliation, whereby they compare ANIs reported by the PSPs to the database of calls provided, and validate the claims for payment by the PSPs. ANI and ownership validation are handled by NPC and the LECs.

NPC processes the compensable payphone CDR data for ANI validation, issues payment to PSPs and handles all payment disputes.

## **2. Post Paid Travel Card calls**

MCI markets a post-billed travel card for use by the residential and business customers of FDN. These calls are routed via a special trunk group (158) assigned to the 800 product to an access tandem switch where the call is subsequently routed to MCI's network for validation and completion. MCI assumes all responsibility for tracking and compensating PSPs.

## **3. Operator assisted calls**

Operator assist calls originated in FDN's footprint are routed to IFN DeltaCom for authorization and payphone arrangements. Similarly, NuVox has an arrangement with Excell to handle OA calls. Once the calls have been authorized, the calls are routed back to the carrier for completion. These calls are subject to processing as described above.

Both Clearinghouses issue claim reports sorted into various spreadsheets by carrier, by check, and by submission are available and are submitted to NuVox and FDN, which are approved by NuVox. The agreed-upon amount is paid via wire transfer. Billing Concepts and NPC make payment to the PSPs and aggregators accordingly.

## **Data Integrity**

Per Eddie Laxton, Sr. Manager, Financial Operations, Ventraq runs integrity reports on the batches in the Sonus, and calls are duplicated into the payphone folder with unique batch identifiers. The FDN process downloads the CDRs records daily. Travis Baldwin, NuVox's billing operations analyst runs trending reports that compare each days call volumes to historical trends for the past 60 days. If the error reports are inconsistent, issues are investigated to determine if any CDRs are missing and/or duplicated in the database. Backup integrity is also tested to ensure that data is available if and when needed. Appears reasonable.

## **Reconciliation Process Detail of DAC for PSPs**

We reviewed the agreed-upon procedures documentation for our understanding of the reconciliation process undertaken at Billing Concepts and NPC, conducted by the audit firms of Padgett, Strateman and Co, LLP, and KPMG, LLP, respectively, as submitted and included in our work papers. As they perform similar functions in the dial-around compensation process, they will be collectively be referred to as the clearinghouses.

The Payphone Service Providers submit their ANI information directly to the clearinghouses. Aggregator files are processed conjunctively to ensure that the PSPs are properly and uniquely grouped by company number. PSPs are able to make claims against the current and prior 6 quarters.

The clearinghouse retains responsibility for validating the files coming in from the LEC and the PSPs, creating the comparative databases and updating them for the new ownership and disconnect information each quarter. Specialized utility programs are used to integrate the disconnect files, then the LEC files and the PSP files, although each clearinghouse has different methods for handling prior quarter and current quarter claims. The processing creates reports, which are stored and archived to CD. Calls are sorted into categories by PSP and LEC, or SBR,



and invalid claims, meaning ANIs without calls, and calls that are unmatched, are kept in suspense account in case the PSP will make a later claim on them.

Ownership errors are identified and verified manually by the clearinghouse. Discrepancies in ANI reporting are attempted to be resolved first by comparing the data to prior quarter is used to try to identify the error. If the ANI is not located, it is reported to the PSP and updated to the payment information.

Once the errors have been corrected, ANI status report files are created for each PSP satisfying the reporting requirement to the PSP.

At any time during the quarter, new information relating to the ownership of certain ANIs may be submitted, which are incorporated into the quarter being processed and run against the prior 6 quarters to pick up any suspense items, as noted above.

## **Call Records**

NuVox ensures the completeness and accuracy of the call records through their CDR gathering process.

When an 800 number owned by NuVox is dialed from a payphone, the underlying carrier responsible for that product sends the call to the NuVox switches or FDN switches, based on product. The switch receives the call and searches for an available OB trunk to attempt the call. The call is attempted for a full minute, and then sent back with no answer supervision. If the call connects, then answer supervision is sent to the originating switch and billing time begins.

Each phone number that represents an originating payphone number is sent quarterly by PSPs for entry into the reconciliation process. New lists are compared to old lists before they are entered into the look-up table. All 800 calls made from payphones are sent over contracted IXC lines, who use the 800 number dialed to assign the call to NuVox or FDN, thus there is no opportunity for a call to be processed that is unrecognized. If a PSP number is not listed, it is not reconciled and may be unpaid. Unpaid numbers are kept in files for prior quarter reconciliation.

NuVox switches upload call information through the intranet based on time and size—creating four types of raw records—START, ATTEMPT, INTERMEDIATE, and STOP. Each of these records contains fields to identify origination and completion information on the call. For our testing, the CDRs have been downloaded to text files from the DMS and Sonus switches and compared to data in the Teradata SQL servers used by the payphone analysts. Only STOP records indicate answer supervision and a completed call for the purposes of DAC. Explanations of each field are available in the field guides for the applications service guide.

FDN mediates their records into two types “NIL ANSWER” and “HARDWARE”. Only HARDWARE represents a completed call in the AMA records, which has also been converted to text for testing purposes.

The underlying carrier sends DNIS and infodigits as headers for each call. The info digits identify the service originating the call- 07, 27, 29 and 70 are possible payphone origination. There is no field in either mediation system for recording whether the call is new or re-originated, thus, there is no possibility for segregating out these calls. Appears reasonable.

Switch records are combined in real time as necessary to create completed call records, which have a single start and stop time and indicate whether the call is completed. Ventraq and FDN processes calls in two phases. Initially, the call is sent to the switch by the underlying carriers and the call is time stamped for set-up. The duration of the call is recorded from the time answer supervision from the terminating number is received—this data is stored in a separate field, and consequently, represents a shorter time period than between the origination and termination time recorded by the switch. Appears reasonable.

Upgrades to the switches and database system are tested to ensure that info digits and other key indicators are protected. We reviewed logical and physical access protections to the switch, noting that procedures are being developed to ensure that access is controlled and monitored. Existing controls include physical security around the switch facility with controlled and delimited badge access, and logical security user profiles.

The Sonus switch batches all CDRs in 15 minute or 10MB increments, creating a unique batch ID. In real time, the batches are processed into readable CDRs, rated, and mediated. The raw records are stored on the Sonus switch, the Ventraq and NuVox servers, all backed up daily. DAC compensable calls are identified and duplicated into a separate folder on the Sonus. Unique information is maintained through the batch identifiers. A quarterly SQL query prepares the file for upload to Billing Concepts, and the payphone folder is cleared and a copy of the datafile is stored indefinitely. For FDN, All CDRs from the previous day are dumped to a binary file before 3 am the following morning. This binary file is picked up by the payphone analyst and processed into a SQL server, where it is stored. DAC compensable calls are pulled out using a Perl script of payphone logic on a monthly basis, and FTP to NPC quarterly via superfile. All CDRs are backed up on CD ROM every month and will be kept in off-site storage, appears reasonable.

Criteria to determine a compensable call is as follows:

For NuVox:

- DIALED\_NUM identifies the call as a toll-free call, so that coin calls are excluded from the payphone file;
- OLIP-Originating Line Information—indicates field for excess field headers, including infodigits. The Ventraq field guide uses 424, 425, 427, 470, 429 and 407 to indicate possible payphone identifiers, although we have recommended streamlining those to the specific infodigits acceptable for payphone indicators, as the additional infodigits are inefficient.
- RECORD TYPE-Indicates whether the record is completed, or a call attempt. This field is also used by the switches to help batch intermediate records for ultimate call record creation.

NOTE: SERVICE FEATURE ID is another field set up to collect the raw infodigits from the header, although only sporadically captures accurate field information as a result of inconsistent field delimiters across different call types. Risk is immaterial as this is a duplicate check on compensable calls, and thus does not influence our report.

CDRs are collected in the payphone folder on the Sonus in pre-approved formats, and quarterly uploaded to Billing Concepts, who confirms, validates, and creates a copy. Duplicates of the sent file and maintained in the payphone folder, and stored on-site. We recommend off-site storage, which can be covered via duplicate back-ups at Ventraq.

For FDN:

- INFO DIGITS identifies what the service originating the call. 27, 29, 70, and 07 are the proper identifiers for payphone services.
- BILLING NUMBER-indicates that the call came from a recognized card or phone. If null, it is not a legitimate call.
- TRUNK GROUP-indicates a call sent where FDN is the completing carrier. All calls sent from MCI hit trunk group 158 are for postpaid travel calls, sorted by 800 DNIS, and billed to FDN via MCI. Further, trunks 233, 262 and 431 indicate call records that are processed both through the Sonus and the FDN process, and were resulting in duplicate payments via the different clearinghouses. We note that these trunks have since been excluded from the FDN processing system, so as to not duplicate payments. Appears reasonable.
- ANSWER TYPE - Determines whether or not the call was completed in the switch-HARDWARE indicates that answer supervision was obtained.

FDN CDRs are sorted via the SQL server into pre-approved formats, called the superfileXXX table. This report is prepared on the 5th of the month following the quarter end, as per procedures outlined by NPC and reviewed. Once validated, NPC backs up the files to CD, copies them to the server, and processes them.

The call records sent over to the Clearinghouses are then run against the ANI master database for the quarter, and the calls are allocated to PSP and LEC, as required. Quarterly reports are generated 65 days after the quarter close to indicating what is being paid out to the LEC on behalf of the PSPs.

The quarterly reports summarize call records processed into one of the following categories:

- 1) No Claim - reflects calls associated with ANIs recognized by the SBR and appearing on the call records, but not yet claimed as an ANI owned by a PSP.
- 2) Claim Validated – reflects calls processed by ANIs that appear on invoices from PSPs, have been validated by the NPC systems that those ANIs belong to that PSP.
- 3) Claim Not Validated – reflects calls processed by ANIs belonging to PSPs that have requested compensation from users for the applicable quarter, but the SBR has not reported ownership information for these ANIs.
- 4) Suspense - reflects calls associated with ANIs involved in an ownership dispute. Ownership disputes result when the SBR reports different information related to ownership than the PSP, or when multiple PSPs claim the same ANI and the SBR information does not validate any of the claims.
- 5) Potential Fraud – reflects calls associated with ANIs that exceeds a call threshold for the number of calls per month. Thresholds may be adjusted by NuVox via call request.

A reconciliation report by PSP is prepared by each of the clearinghouses and sent to NuVox for approval. For the period under review, Amy Gardener approves the PSP payments and sends the warrant request over to Accounting for processing. One wire transfer is made to each clearinghouse each quarter, which subsequently pays the PSPs according to the schedule. We

note that in the 4q08, 2 payments were made to NPC as a result of a batch error, but all records were paid and accounted for the quarter. Appears reasonable.

Once payments are sent, NO CLAIM calls are accrued. As quarter become ineligible for payment request, unpaid call records are marked as expired on the clearinghouse reconciliation, and expired as per FCC guidelines.

Quarterly information is stored for two years. Stored databases at the clearinghouses are analyzed periodically to ensure that the data remains intact. The switch records are store by NuVox and Ventraq for 2 years, and we recommended to management that they be analyzed regularly to ensure that they remain intact.

## **Disputes**

If a PSP or aggregator has a dispute about the payment made, the PSP can request that its original file (or a newly submitted file) be checked in greater detail. While the responsibility to resolve the dispute remains with NuVox, both clearinghouses will try to resolve the issue by hand-checking the reports, and if clearinghouse management cannot resolve the dispute, then the information is passed on to the LEC to try to obtain additional information.

NuVox and FDN historically have had no disputes with PSP carriers and no instances where additional information was requested by a PSP in the period under review. Appears reasonable.

## ***Section 2-Internal Controls***

### **Control Environment and Organizational Chart**

Switch responsibilities lie with Tim Standridge, Network Operations, and Ventraq, who programs the mediation application and the payphone logic. No NuVox personnel have access to the Ventraq mediation system, which is a fully outsourced process component.

Reports are gathered and sent to the clearinghouses via John Frame, Billing Ops, NuVox, who sends them to the clearinghouses and sends summaries to superior Devin Hickerson in Billing Ops, review the respective reports before sending them out to ensure that they appear materially accurate and that there are no large or unusual aspects to the report before they are sent over. If there are discrepancies, the Billing Specialists are asked to rerun the report, and then the report is reviewed manually.

At this point, the remainder of the current processing of PSP compensation is processed by the clearinghouses and is reliant on their internal control structure.

The payment detail report is received within 65 days after the quarter end; it is reviewed and is both trended against prior quarters for reasonableness and reconciled against summary monthly reports on payphone records collected. Approval of the report and payment is performed by Amy Gardener, actual wire payment is prepared by Janet Fancher, and the third-party clearinghouses make payment to the PSPs by the end of the month. As approval and preparation of reporting information are kept separate, there appears to be little room for internal employee fraud outside of collusion. The wire transfer to the clearinghouses were due on March 17, so that the PSP can be paid by March 31, 2009 for the prior quarter. Appears reasonable.

We note that the clearinghouse reconciliation process and the overall integrity of the DAC system rely on several internal controls to ensure the integrity of the system. These controls are communicated and complied with by NuVox in the following:

## **General Contract and Regulatory Requirements**

Per the agreement between the clearinghouses, NuVox and Florida Digital Network, each company and their representatives are responsible for maintaining compliance with laws, regulations, tariffs, and other general requirements in the course of doing business. NuVox has provided documentation that they recognize these requirements and understand their responsibilities to comply with them. At the same time, the integrity of the compensation system requires that the clearinghouses remain in compliance with all their attestations under the agreement. We also obtained and reviewed an executed copy of the agreements with Billing Concepts and NPC, which indicates each party understands their obligations. Appears reasonable.

## **Access Controls**

NuVox has maintained sufficient controls over who has access to switch and the reporting systems and under which circumstances changes and updates can be performed. The controls in place include:

- Limited access to switch and reconciliation processes
- Segregation of duties among report generation, reconciliation, and payment approval

Appears reasonable.

## **File Completeness and Timeliness**

NuVox provides complete files, including completed call records for payphone originated calls, and are responsible for the completeness, accuracy, and timeliness of the call record files. The controls in place to provide such files are:

- Infodigit/payphone logic that is standardized and verified
- Easily tracked sorting and filtering parameters
- Verification fields available in the reports
- Monthly and/or quarterly reports generated on the 15th and transferred on the 5<sup>th</sup> of the subsequent month

## **Payment Authorization**

NuVox reviews and authorizes third party clearinghouses to make payments to PSPs and aggregators from the summary payment documents submitted and validated with the LEC. Proper approval is controlled by Janet Fancher and Amy Gardener, NuVox.

## **Completeness of Records Processed**

John Frame, Billing Operations Manager, and Travis Baldwin, Billing Operations Analyst, validate the summary payment reports received from the reconciliation process at the clearinghouse by comparing them the sent files to ensure that all calls sent were processed. This ensures that the quarterly reports provided by the clearinghouse summarize the number of records received and the results of the processing of those records, including the payments made on their behalf, are reconciled to the total number of records submitted. Appears reasonable.

## **Dispute Resolution**

The FCC requires that a standardized process be in place to settle disputes that is data reliant. NuVox charges the clearinghouses to handle all disputes between the LEC and PSP with regard to ANI ownership, and to provide whatever detail support may be necessary to validate any particular claim against a CDR or its DAC status. Appears reasonable.

## **Payment Rate**

All NuVox and Florida Digital Network customers use the default rate with their PSPs, there are no exceptions. Internal controls relating to rate verification include validating on the clearinghouses' summary report that all calls are included at the .494 per eligible call rate.

## **Contingency Procedures**

Raw data is backed up and stored on a daily, monthly and quarterly basis, and is thus available in the event of disaster recovery needs. Although there are two processes in place at NuVox, it is unclear that either can serve as a back-up for the other as of 4<sup>th</sup> quarter 2008. As the Ventraq processing is more thorough, at least for ANIs, we have recommended that systems be tested to ensure that Ventraq can process the FDN records into the payphone file for economies of scale as well as DR back-up.

## **Section 3: Significant Control Objectives**

The principal objectives of the system of internal controls pertaining to recordkeeping, reporting, and payment verification are as follows:

- Policies and procedures are in place to ensure payment rates conform to FCC rules, either by default or as agreed to between parties.
- Policies and procedures are in place relating to reporting elements as required in the DAC service Agreement
- Data is stored for a period at least as long as required by FCC rules.
- Procedures are in place to establish, corroborate and validate proper PSP ownership SBR
- System reporting for all eligible calls is both accurate and complete
- Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to Florida Digital Network's system requirements.
- Specific personnel has been identified for verifying compensation to PSPs
- Specific Personnel has been identified for handling dispute resolution with PSPs

- Quarterly reports verified for payphone call counts, PSP identities, numbers called, and infodigits.
- Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.
- Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.
- Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.

## ***Description of Controls and Tests Performed***

Our test of the effectiveness of the policies, procedures, and controls included tests we considered necessary to evaluate whether those controls, and the extent of the compliance with them, is sufficient to provide reasonable, but not absolute, assurance that the specified control objectives were achieved during the period between October 1, 2008 and December 31, 2008. Our tests of the operational effectiveness of controls were designed to cover the period from October 1, 2008 and December 31, 2008.

Test procedures performed in connection with determining the operational effectiveness of controls are described as follows:

1. Corroborative inquiry – Made inquiries of appropriate personnel and corroborated responses with other personnel to ascertain the compliance of controls.
2. Observation – Observed application of specific controls.
3. Inspection of evidentiary material –inspected documents and reports indicating the performance of the systems and controls.
4. Transaction testing – Used reports to recreate and document controls.

## ***Key Control Objectives***

### **Key Control Objective #1**

*Payment rates can either be based on a rate negotiated between the user and the PSP or the FCC default rate.*

### **Tests Performed**

- 1) NPC and Billing Concepts calculate NuVox's DAC obligations based on the rates negotiated between the SBR and the PSP, or where applicable, the rates included in FCC Order 96-128. There are no agreements for alternative rates with PSPs, since all PSP interaction prior to the clearinghouses was handled through the carriers. All rates at this point are the FCC default rate, which is currently .494 cents per compensable call.

We reviewed the DAC service summary report, noting that the calls paid for the quarter for PSPs of carriers processed by Billing Concepts and/or NPC were at the default rate of .494. Appears reasonable.

### **Key Control Objective #2**



*Policies and procedures are in place relating to reporting elements as required in the DAC service Agreement*

### **Policy or Procedure**

Clearinghouse reports are prepared on a quarterly basis for use by LECs, SBRs, and PSPs detailing the calls that originate by owner, the rate paid on each of those calls, carrier IDs, and information regarding the validity of the claim presented. Additional reports may be constructed for any party including ANI Master Lists, potentially fraudulent calls, dispute items, and other, as deemed necessary by any party.

### **Tests Performed**

1. We reviewed the reports that were prepared and reconciled against total CDRs by NPC and Billing Concepts.
2. For the category “unmatched records”, we noted that the detail for these calls was able to be provided for accrual and investigation purposes.

### **Key Objective #3**

*Data is stored for a period at least as long as required by FCC rules.*

### **Policy or Procedure**

Through interviews with key personnel, we noted that all records are kept on CDs burned monthly, and information related to compensable CDRs is maintained live on the system for a minimum of 3 months. Per Tim Stanridge, Network Operations and Steve Jacobsen, Ventraq, data integrity on these CDs are being regularly tested, including uploading the offline database to an archive server and restoring the data to a server.

### **Key Objective #4**

*Procedures are in place to establish proper PSP ownership*

### **Policy or Procedure**

Since NuVox and its affiliates do not deal with the PSP directly, it relies on the controls at the clearinghouses and the LEC to validate PSP ownership. To validate PSP ownership of the ANI being claimed by any specific PSP, the LEC is required to provide to NPC a list of all ANIs for which the LEC provided dial-tone service during the quarter. In this way, every claim for compensation should be verified by LEC information validating the owner and the ANI. We do note that the Ventraq mediation for compensable calls is changing to include ANI recognition and proper capture of infodigit, ensuring accuracy of DAC.

## **Test Performed**

We reviewed the Internal Control report of NPC and Billing Concepts and note that their auditors have tested PSP ownership validation, and concur with the steps taken to verify such. Appears reasonable.

## **Key Objective #5**

*System reporting for all eligible calls is both accurate and complete*

## **Policy or Procedure**

Switch systems under NuVox's control validate dial around compensable calling by reviewing every call record for 800 dial around origination, completion, infodigit, and/or ANI match. Any completed call with appropriate call criteria is picked up in a summary folder by 10 e or a Perl script executed in SQL, dependent on the switch processing the 800 number. These summaries are sent to the clearinghouses, and payphone reports are validated and or created before wire funds or warrants are transferred in payment.

## **Tests Performed**

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, and reviewed the process in place at NPC and Billing Concepts to gain an understanding of the process and the internal control environment. Appears reasonable.
- 2) We reviewed the payphone logic and determined that the field parameters are sound.
- 3) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for the clearinghouses, noting that the entire sample of payphone flagged calls tested appears on the BCI and NPC submission reports, without material exception.
- 4) We recreated the reconciliation of the PSP payment report to the NuVox reconciliation reports for the 4th quarter 2008, without exception.

## **Key Objective #6**

*Specific personnel have been identified as responsible for drafting and maintaining necessary business requirements relating to system requirements.*

*Specific personnel has been identified for verifying compensation to PSPs*

*Specific Personnel has been identified for handling dispute resolution with PSPs*

## **Policy or Procedure**

NuVox has substantially segregated and assigned responsibility for drafting and maintaining necessary business requirements, like switch program logic, report preparation and formatting,

validation of payment to PSPs and validation of reporting to various parties within the NuVox organization.

## **Tests Performed**

We interviewed various personnel to understand their roles in the DAC process, noting:

- 1) That Tim Stanridge, as Network Operations Director, is responsible for the physical and logical access security and the network design that ensures the validity of the initial CDRs
- 2) That Ventraq, a third-party, is responsible for the creation and mediation of CDRs and payphone logic, and the creation of the payphone record folder from the record batches.
- 3) That Travis Baldwin, Billing Operations, downloads the CDRs to ASCII and runs the report in SQL that is ultimately the basis for the formatted report that is submitted to NPC
- 4) That John Frame, Billing Operations and Petra Nelson, Billing Operations verify through the reconciliation that the call records that were sent for payment validation are consistent with the payphone flagged CDRs that are presented through the switch originally.
- 5) That John Frame, Billing Operations, use Equinox systems fraud monitoring software package in their fraud monitoring, which automatically analyses the CDR against established benchmark on usage profile based on call type, origination and termination.
- 6) That John Frame, Billing Operations downloads NuVox payphone records from the Sonus folder and creates the quarterly file for uploading to Billing Concepts to validate and create dial-around compensation reports for the PSPs,
- 7) That Amy Gardner, VP Revenue and Cost Optimization, NuVox authorizes the wire transfer to enable PSP payment after review of the reports sent by NPC and Billing Concepts.
- 8) That the third-party clearinghouses are responsible for dispute resolution.

Appears reasonable.

## **Key Objective #7**

*Quarterly reports are verified for payphone call counts, PSP identities, numbers called, and infodigits.*

## **Policy or Procedure**

The detailed process narrative for NPC explains the procedures for generating these reports in greater detail. NuVox does ensure that NPC and Billing Concepts has monthly

and/or quarterly files of individual completed CDRs with payphone flags, ANIs, and numbers called so that originated calls with eligible DAC can be determined, and validated ANIs, non-validated ANIs, potentially fraudulent calls and calls with ownership issues can be identified.

### **Tests Performed**

We reviewed the total CDR reports generated by the dump of the CDRs into SQL and compared it to the summary payment report generated by NPC without exception.

We reviewed the total CDR reports generated inside the payphone folder for 4Q08 and compared it to the summary payment report generated by Billing Concepts without exception

### **Key Control Objective #8**

*Procedures are in place to identify and investigate potentially fraudulent calls and are resolved.*

### **Policy or Procedure**

NuVox uses Equinox systems fraud monitoring software package in their fraud monitoring. Equinox Protector polls the CDR from the switches at various intervals throughout the day. The software automatically analyses the CDR against established benchmark on usage profile based on call type, origination and termination.

The clearinghouses also run a report on each ANI to determine if the call volume exceeds a 2000 call threshold of calls per month. For all ANIs that exceed this limit, a fraud report is prepared that is submitted to NuVox, the PSP and the LEC which includes the ANI, PSP and call count. The threshold is modifiable by the customer at their request.

### **Tests Performed**

We inquired of Devin Hickerson whether any fraudulent usage had yet been identified by their system. He noted that the system does catch fraud, but that it has not involved a payphone to date. As there have been no instances of excess, thus, this is an unverified procedure.

### **Key Control Objective #9**

*Policies and procedures are in place to properly compensate all compensable calls originated from validated payphone ANIs. In addition, such reports are maintained for the period required by the FCC.*

### **Policy or Procedure**

See the narrative on DAC reconciliation and payment process above for greater detail. In summary, CDRs from the switch are sorted for payphone flags, these records are summarized in the appropriate format for the clearinghouses, who validate, reconcile and pay PSPs based on the

intersection of information provided from the switch, the LEC and the PSP. A summary report of valid and invalid claims is sent to NuVox each quarter, which validates the report before wiring funds for payment of the PSP.

All data is stored on CD and a minimum of 3 months are stored live on the system. Per discussion with key personnel, this data is taken out and restored to an active, but not live, server to test control totals and ensure that the call records remain unchanged.

### **Tests Performed**

- 1) We interviewed personnel responsible for various aspects of the reconciliation process, including processes at the clearinghouses to gain an understanding of the process and the internal control environment. Appears reasonable.
- 2) We statistically sampled calls from the original CDR for those dates to the payphone reports generated for NPC and NuVox, noting that the sample of payphone flagged calls tested appears reasonably on the summary PSP report.
- 3) We materially recreated the reconciliation of the PSP payment report to the NuVox and FDN reconciliation reports, without exception.

### **Key Control Objective #10**

*Policies and procedures are in place regarding controls over changes to applicable software, including persons responsible, management of the changes, and validation of such changes, ensuring that the changes do not negatively affect integrity of the records processed or the results of processing such records.*

### **Policy or Procedure**

NuVox has established policies and procedures regarding system changes, including specific policies regarding:

- System change approval
- Identification of responsible persons
- System security controls
- Program security controls
- Capabilities to test changes and compare to known results

### **Tests Performed**

We interviewed key personnel and reviewed the logic associated with capturing infodigits and completed call logic. We reviewed documentation with regard to the above and noted that it was consistent with stated policy.